

TOP SECRET

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TOP SECRET

SUMMARY

GENERAL

1. Big Communist delegations seen delaying Geneva conference (page 3).
2. East Germans to break export contracts with West if necessary to fulfill Soviet demands (page 3).

25X1

3.

SOUTHEAST ASIA

4. Viet Minh effectiveness at Dien Bien Phu surprises French (page 4).
5. American air maintenance personnel in Tonkin threatened (page 5).
6. Early elections in Vietnam seen essential (page 6).
7. High Indonesian officials attend Communist congress (page 6).

SOUTH ASIA

8. Karachi government losing in East Pakistan elections (page 7).

NEAR EAST - AFRICA

9. Oil talks between AIOC and American companies deadlocked (page 7).
10. Shah may pardon Mossadeq (page 8).
11. New Sudan crisis threatened by Unionist party demands (page 9).
- 12.

25X1

WESTERN EUROPE

13. Quick Saar settlement key to pre-Easter French EDC debate (page 10).

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GENERAL

1. Big Communist delegations seen delaying Geneva conference:

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The Soviet and Chinese Communist delegations to the Geneva conference will each consist of 200 persons, according to the Swiss Foreign Ministry protocol chief.

A United Nations official in Geneva suggests the possibility that the Communists may be sending these huge delegations for the deliberate purpose of causing organizational difficulties and thus delaying the conference.

Comment: The size of the Soviet and Chinese delegations appears to reflect a common desire to be prepared for every contingency at the conference, although a wish to postpone it is conceivable.

2. East Germans to break export contracts with West if necessary to fulfill Soviet demands:

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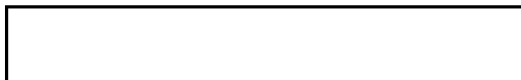
The East German Foreign Trade Ministry announced on 4 February that export contracts with Western countries must be broken if these obligations conflict in any

way with deliveries to the Soviet Union. This order will apply particularly to commodities manufactured by former joint East German-Soviet enterprises which were recently returned to East German ownership.

Comment: Such an order would be contrary to the "new course" policy announced last summer. It would seriously undercut East Germany's current efforts to increase its trade with the West. Knowledge of the order would confirm suspicions of Western traders that East Germany will be unable to fulfill export commitments.

- 3 -

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18 Mar 54

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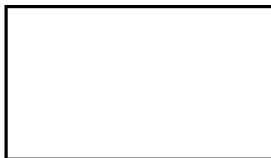
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SOUTHEAST ASIA

4. Viet Minh effectiveness at Dien Bien Phu surprises French:

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A high French official in Saigon described the situation in Dien Bien Phu as "very serious." Viet Minh losses have been very heavy, but so have those of the French.

[redacted] Navarre's staff is 25X1
appalled by the enemy's swift successes in overrunning French strong
points manned by tested troops, and by the concentration and accuracy
of Viet Minh artillery fire. [redacted] the first phase of the attack 25X1
had been "very bad" for the French. [redacted] the eventual outcome 25X1
of the battle would depend on French air power, the ability of the French
to lift sagging morale, and the extent the Viet Minh command is willing
to take "murderous losses to crack battle troops."

- 4 -

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18 Mar 54

[redacted] the Viet Minh 25X1
had decided to risk a maximum effort at Dien Bien Phu because it
recognized the "catastrophic" effect which an insurgent victory would
have in Vietnam and France. [redacted] loss of the stronghold 25X1
by the French would: reduce Vietnamese army morale, already low,
to the danger point; further damage French military morale, already
lowered by talk of an imminent truce; seriously discredit the strategy
of General Navarre; give the Viet Minh a tremendous boost in prestige
"perfectly timed with the Geneva conference," thus increasing the incentive
for defection by Vietnamese nationalists; and increase French domestic
pressure for direct negotiations with Ho Chi Minh.

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5. American air maintenance personnel in Tonkin threatened:

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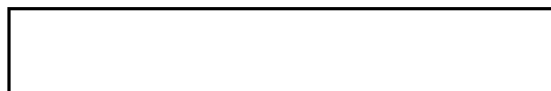
The American embassy in Saigon reports that the road between Haiphong and nearby Do Son airfield, where an American ground crew of 100 men is stationed, was cut on the night of 15 March by a detachment of 400 Viet Minh troops. Arms were issued to the Americans and they stood guard duty during the night.

The embassy notes that evacuation of the crew and their heavy equipment from Do Son would be difficult since available transport aircraft are supplying Dien Bien Phu and the runway at Do Son is too short for C-119's or C-54's.

Comment: This threat to Do Son probably is part of the continuing Viet Minh efforts to disrupt French air support of Dien Bien Phu by attacking airfields in Tonkin. It is possible, however, that a calculated attempt is being made to embroil the Americans in the fighting.

- 5 -

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18 Mar 54

6. Early elections in Vietnam seen essential:

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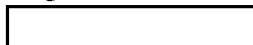


Former Vietnamese prime ministers Huu and Tam, in separate interviews with an American official, strongly asserted that Bao Dai's opposition to the growing popular demand for elections is weakening his regime. Huu said that if the Geneva conference leads to an armistice and a plebiscite, "we are lost." The only way he saw to head off a Communist victory was to strengthen Vietnamese national leadership, while continuing the war until a more solid basis for negotiations could be found.

Tam stated that it would be difficult to hold elections prior to Geneva, but felt that an early announcement of a definite date for elections would help.

Comment: The primary weakness of the Bao Dai government stems from its lack of any elective base. Ambassador Heath in Saigon recently suggested that elections be promptly organized in Vietnam to strengthen the Western position at Geneva.

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7. High Indonesian officials attend Communist congress:

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The first article of business at the "reception" which opened a congress of the Indonesian Communist Party on 15 March was the reading of a letter from Prime Minister

Ali Sastroamidjojo indicating hope that the congress would produce "beneficial results." In attendance were the deputy premier, two cabinet officers and the chairman of parliament. Two of these men made statements expressing gratitude for Communist support of the government.

Ambassador Cumming comments that he is "shocked" at the degree to which the government has lent official support to this Communist meeting. He points out that it has been customary for government officials to attend political party "receptions." Only the Communist press played up the government's participation.

- 6 -

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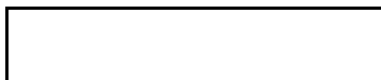
18 Mar 54

Comment: Despite the disclaimers of Indonesian officials, the Communists have exploited, with considerable success, the government's dependence on their support ever since it took office last July.

SOUTH ASIA

8. Karachi government losing in East Pakistan elections:

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Early election returns from East Bengal, Pakistan's richest and most populous province, indicate that the ruling Moslem League has been defeated by a wide margin in its attempt to win a majority of the provincial assembly. The opposition United Democratic Front (UDF) has won 70 of the 76 contests reported thus far for the 237 Moslem seats.

Comment: The Moslem League's failure to meet local demands for greater autonomy and for a more vigorous economic program apparently were stronger factors in the voting than had been anticipated. The unpopularity of the local party leadership also played a part.

American military aid to Pakistan was not an issue in the campaign, although League leaders sought to use the aid agreement to bolster their prestige.

The UDF is a loose federation of parties with leftist tendencies but no common program, and the League may be able to exploit the postelection splits which are almost certain to develop. In any event, the position of the Karachi government will be seriously weakened by defeat at the polls.

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NEAR EAST - AFRICA

9. Oil talks between AIOC and American companies deadlocked:

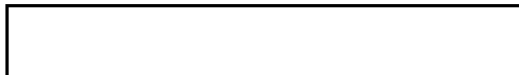
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Discussions between the Anglo-Iranian Oil Company and five American oil companies aimed at setting up a consortium to produce

- 7 -

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18 Mar 54

and market Iranian oil are deadlocked on the questions of financial participation and of the compensation claimed by AIOC. Representa-

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The American ambassador in London expressed to Foreign Secretary Eden the apprehension that termination of consortium negotiations might have "catastrophic" effects in Iran. This view is shared by the British Foreign Office.

Comment: AIOC has long insisted on compensation for loss of the profits it would have received if its Iranian oil concession had continued until 1993. Such a claim would almost certainly be rejected by the Zahedi government, and the other proposed consortium members probably realize that AIOC's position is unrealistic.

Iranian officials are anxious to negotiate with a consortium, and the postponement or cancellation of a settlement would be exceedingly damaging to Iranian political and economic stability. Prime Minister Zahedi's tenure would be seriously threatened.

10. Shah may pardon Mossadeq:

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The shah has agreed to pardon former prime minister Mossadeq on 21 March, the Iranian New Year

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The shah reportedly made the decision at the request of Ayatollah Borujerdi, the influential cleric and custodian of the Qom Shrine.

The American embassy comments that the source of this information did not mention how Mossadeq's subsequent activity would be controlled, nor whether Prime Minister Zahedi had been consulted.

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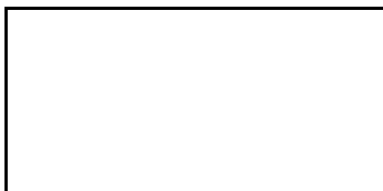
- 8 -

18 Mar 54



11. New Sudan crisis threatened by Unionist party demands:

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The executive committee of the National Unionist Party, dominant party in the Sudanese parliament, recommended on 14 March dissolution of the proindependence Umma Party and its religious counterpart, the Ansar sect. The committee also called for the arrest of all persons who participated in the 1 March riot--presumably including Sayed Siddik, the mahdi's son and titular head of the Umma Party, who has been publicly charged by the Unionists with responsibility for the riots.

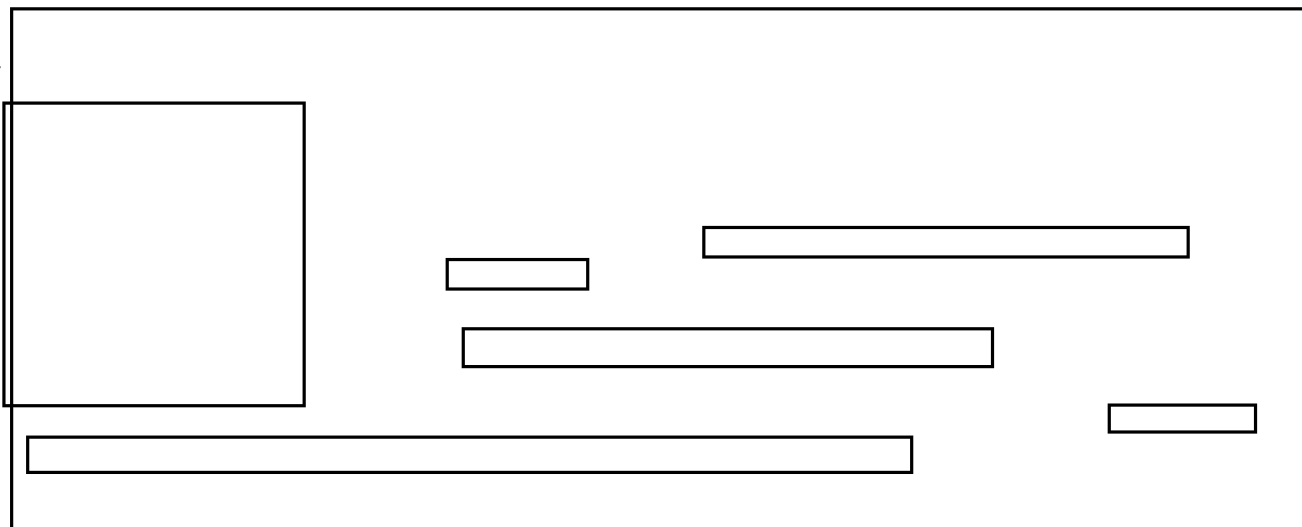
Comment: Any attempt by Prime Minister Azhari's government to implement its executive committee's recommendations is likely to cause the Umma Party to boycott the parliament and precipitate a constitutional breakdown in the Sudan.

British officials have indicated that under these circumstances the British governor general would assume the "extraordinary powers" granted him under the Anglo-Egyptian agreement of February 1953. Such action could lead to a general breakdown of law and order in the Sudan and would cause a new crisis in Anglo-Egyptian relations.

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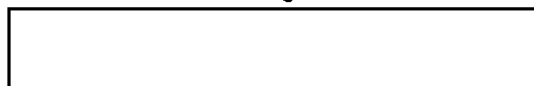
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18 Mar 54



WESTERN EUROPE

13. Quick Saar settlement key to pre-Easter French EDC debate:

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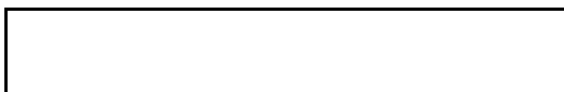
Ambassador Bruce in Paris fears that French foreign minister Bidault's plans for National Assembly debate on EDC depend for their success on an "almost overnight" settlement of the Saar issue. Bruce considers such a quick settlement unlikely.

Bidault proposes to set a date for the debate only after all the assembly's preconditions for ratification--including agreement on the Saar--are satisfied. He notes that the government is still not firmly committed to beginning the debate before Easter and that further delay may make debate before the holidays virtually impossible.

Bidault has meanwhile assured Ambassador Dillon that the Socialists have agreed not to press their demands for prior assurances of "democratic control" of the European army.

- 10 -

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18 Mar 54

Comment: French-German talks on the Saar are continuing at Bonn in an attempt to reconcile differences on the Council of Europe plan. Agreement on a general outline of a Saar settlement may be reached when Adenauer returns from Turkey late next week, provided Bidault is able to assure him then of a definite date for the EDC debate.

There are indications that Laniel and Bidault may be delaying because of a desire to announce the date of the EDC debate as short a time as possible beforehand. They apparently believe this would reduce the risks of a government crisis before the debate begins.

- 11 -

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